



Use of Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including adjusted EBITDA, non-GAAP operating income, and non-GAAP net income and diluted net income per share.

Management believes these non-GAAP financial measures that exclude the impact of specific items (described below) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current results and results in prior operating periods.

Adjusted EBITDA is defined by us as income before income tax, net other expense, net interest expense and depreciation and amortization and stock-based compensation expense (or operating income plus depreciation and amortization expense and stock-based compensation expense). Adjusted EBITDA further excludes one-time charges related to facility closures, the gain from the sale of our independent garden center distribution business and intangible asset impairment charges. We present adjusted EBITDA because we believe that adjusted EBITDA is a useful supplemental measure in evaluating the cash flows and performance of our business and provides greater transparency into our results of operations. Adjusted EBITDA is used by our management to perform such evaluations. Adjusted EBITDA should not be considered in isolation or as a substitute for cash flow from operations, income from operations or other income statement measures prepared in accordance with GAAP. We believe that adjusted EBITDA is frequently used by investors, securities analysts and other interested parties in their evaluation of companies, many of which present adjusted EBITDA when reporting their results. Other companies may calculate adjusted EBITDA differently and it may not be comparable.

The reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below. We believe that the non-GAAP financial measures provide useful information to investors and other users of our financial statements, by allowing for greater transparency in the review of our financial and operating performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance, and we believe these measures similarly may be useful to investors in evaluating our financial and operating performance and the trends in our business from management's point of view. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

Non-GAAP financial measures reflect adjustments based on the following items:

- Facility closures: we exclude the impact of the closure of facilities as they represent infrequent transactions that occur in limited circumstances that impact the comparability between operating periods. We believe the adjustment of closure costs supplements the GAAP information with a measure that may be used to assess the performance of our ongoing operations.
- Gain on sale of a business or service line: we exclude the impact of the gain on the sale of a business as it represents an infrequent transaction that occurs in limited circumstances that impacts the comparability between operating periods. We believe the adjustment of this gain supplements the GAAP information with a measure that may be used to assess the performance of our ongoing operations.
- Asset impairment charges: we exclude the impact of asset impairments on intangible assets as such non-cash amounts are inconsistent in amount and frequency. We believe that the adjustment of these charges supplements the GAAP information with a measure that can be used to assess the performance of our ongoing operations.

- Tax impact: adjustment represents the impact of the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment.

From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

The non-GAAP adjustments made reflect the following:

- (1) During the third quarter of fiscal 2023, we recognized incremental expense of \$13.9 million in our Pet segment in the consolidated statement of operations, from the closure of a leased manufacturing and distribution facility in Athens, Texas. During the fourth quarter of fiscal 2023, we recognized incremental expense of \$1.8 million in our Pet segment in the consolidated statement of operations, from the closure of a leased manufacturing and distribution facility in Amarillo, Texas.
- (2) During the fourth quarter of fiscal 2023, we recognized a gain of \$5.8 million from the sale of our independent garden center distribution business, which includes the impact of associated facility closure costs. The gain is included in selling, general and administrative expense in the consolidated statements of operations.
- (3) During the fourth quarter of fiscal 2023, we recognized a non-cash impairment charge in our Pet segment of \$2.8 million related to the impairment of intangible assets caused by the loss of a significant customer in our live fish business. Also, during the fourth quarter of fiscal 2023, we recognized a non-cash impairment charge in our Garden segment of \$3.9 million related to the impairment of intangible assets due to reduced demand for products we sold under an acquired trade name. The impairments were recorded as part of selling, general and administrative costs.

Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation					
	Three Months Ended September 30, 2023			Fiscal Year Ended September 30, 2023		
	GAAP	Adjustments ⁽¹⁾⁽²⁾⁽³⁾	Non-GAAP	GAAP	Adjustments ⁽¹⁾⁽²⁾⁽³⁾	Non-GAAP
(in thousands)						
Net sales	\$ 750,147	\$ —	\$ 750,147	\$ 3,310,083	\$ —	\$ 3,310,083
Cost of goods sold and occupancy	552,694	1,751	550,943	2,363,241	9,761	2,353,480
Gross profit	197,453	(1,751)	199,204	946,842	(9,761)	956,603
Selling, general and administrative expenses	188,084	887	187,197	736,196	6,798	729,398
Income from operations	\$ 9,369	\$ (2,638)	\$ 12,007	\$ 210,646	\$ (16,559)	\$ 227,205

Pet Segment Operating Income Reconciliation

	GAAP to Non-GAAP Reconciliation For the Fiscal Year Ended	
	September 30, 2023	September 24, 2022
	(in thousands)	
GAAP operating income	\$ 198,004	\$ 208,924
Facility closure and intangible asset impairment	(1)(3) 18,457	—
Non-GAAP operating income	\$ 216,461	\$ 208,924
GAAP operating margin	10.5 %	11.1 %
Non-GAAP operating margin	11.5 %	11.1 %

Garden Segment Operating Income Reconciliation	GAAP to Non-GAAP Reconciliation For the Fiscal Year Ended	
	September 30, 2023	September 24, 2022
	(in thousands)	
GAAP operating income	\$ 123,455	\$ 153,956
Garden independent distribution sale and intangible asset impairment (2)(3)	(1,898)	—
Non-GAAP operating income	\$ 121,557	\$ 153,956
GAAP operating margin	8.6 %	10.5 %
Non-GAAP operating margin	8.5 %	10.5 %

Net Income and Diluted Net Income Per Share Reconciliation	GAAP to Non-GAAP Reconciliation For the Fiscal Year Ended	
	September 30, 2023	September 24, 2022
	(in thousands, except per share amount)	
GAAP net income attributable to Central Garden & Pet Company	\$ 125,643	\$ 152,152
Pet facilities closures (1)	15,672	—
Independent garden channel distribution sale and related facility closure (2)	(5,844)	—
Intangible impairments (3)	6,731	—
Tax effect of adjustments	(3,705)	—
Non-GAAP net income attributable to Central Garden & Pet Company	\$ 138,497	\$ 152,152
GAAP diluted net income per share	\$ 2.35	\$ 2.80
Non-GAAP diluted net income per share	\$ 2.59	\$ 2.80
Shares used in GAAP and non-GAAP diluted net income per share calculation	53,427	54,425

Adjusted EBITDA Reconciliation	GAAP to non-GAAP Reconciliation Fiscal Year Ended September 30, 2023			
	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ 125,643
Interest expense, net	—	—	—	49,663
Other income	—	—	—	(1,462)
Income tax expense	—	—	—	36,348
Net income attributable to noncontrolling interest	—	—	—	454
Sum of items below operating income	—	—	—	85,003
Income (loss) from operations	198,004	123,455	(110,813)	210,646
Depreciation & amortization	41,126	43,375	3,199	87,700
Noncash stock-based compensation	—	—	27,990	27,990
Non-GAAP adjustments (1)(2)(3)	18,457	(1,898)	—	16,559
Adjusted EBITDA	\$ 257,587	\$ 164,932	\$ (79,624)	\$ 342,895

Adjusted EBITDA Reconciliation	GAAP to non-GAAP Reconciliation Fiscal Year Ended September 24, 2022			
	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ 152,152
Interest expense, net	—	—	—	57,534
Other expense	—	—	—	3,596
Income tax expense	—	—	—	46,234
Net income attributable to noncontrolling interest	—	—	—	520
Sum of items below operating income	—	—	—	107,884
Income (loss) from operations	208,924	153,956	(102,844)	260,036
Depreciation & amortization	38,960	36,583	5,405	80,948
Noncash stock-based compensation	—	—	25,817	25,817
Adjusted EBITDA	\$ 247,884	\$ 190,539	\$ (71,622)	\$ 366,801

Adjusted EBITDA Reconciliation	GAAP to non-GAAP Reconciliation Quarter Ended September 30, 2023			
	Pet	Garden	Corp	Total
	(in thousands)			
Net income attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ 2,835
Interest expense, net	—	—	—	8,063
Other expense	—	—	—	1,685
Income tax benefit	—	—	—	(3,098)
Net loss attributable to noncontrolling interest	—	—	—	(116)
Sum of items below operating income	—	—	—	6,534
Income (loss) from operations	43,225	(3,432)	(30,424)	9,369
Depreciation & amortization	10,479	10,892	825	22,196
Noncash stock-based compensation	—	—	7,358	7,358
Non-GAAP adjustments (1)(2)(3)	4,536	(1,898)	—	2,638
Adjusted EBITDA	\$ 58,240	\$ 5,562	\$ (22,241)	\$ 41,561

Adjusted EBITDA Reconciliation	GAAP to non-GAAP Reconciliation Quarter Ended September 24, 2022			
	Pet	Garden	Corp	Total
	(in thousands)			
Net loss attributable to Central Garden & Pet	\$ —	\$ —	\$ —	\$ (1,990)
Interest expense, net	—	—	—	14,089
Other expense	—	—	—	2,259
Income tax benefit	—	—	—	(1,085)
Net loss attributable to noncontrolling interest	—	—	—	(375)
Sum of items below operating income	—	—	—	14,888
Income (loss) from operations	40,412	1,824	(29,338)	12,898
Depreciation & amortization	10,081	10,127	2,407	22,615
Noncash stock-based compensation	—	—	6,938	6,938
Adjusted EBITDA	\$ 50,493	\$ 11,951	\$ (19,993)	\$ 42,451